

# Michigan Should Open the Door to Skilled Workers

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Chair Hauck and all distinguished members of the House Regulatory Reform Committee:

Thank you for allowing me to testify regarding licensing reform in Michigan. I am an associate professor of economics and director of the Knee Center for the Study of Occupational Regulation at West Virginia University. I am also a senior affiliated scholar with the Mercatus Center.

The main takeaways of my comments are the following:

1. Michigan has a weak labor market and should not create arbitrary barriers for potential new residents.
2. Research shows that rigid occupational licensing restricts mobility by 7 percent.
3. Arizona has already had more than 3,000 new professionals enter the state after universally recognizing out-of-state licenses.

## The State of the Michigan Labor Market

Michigan's labor market lags behind several states with an unemployment rate of 4.6%.<sup>1</sup> For the labor market to bounce back, employers are going to need access to workers with a diverse set of skills and talents. Unfortunately, employers in Michigan are having a hard time finding the workers they need to fill current job openings.

This summer, there were more than 8,000 unfilled jobs reported in mid-Michigan.<sup>2</sup> The executive director of the Central Michigan Manufacturers Association<sup>3</sup> recently noted that the worker shortage is slowing industry growth. Slowing growth is no doubt contributing to Michigan's shrinking share of the US population and loss of five Congressional seats over the last 40 years.

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<sup>1</sup> "Unemployment Rates for States," Bureau of Labor Statistics, last modified October 22, 2021, <https://www.bls.gov/web/laus/laumstrk.htm>.

<sup>2</sup> Heather Jordan, "8,000 open jobs in mid-Michigan and a labor shortage. The reason is complicated," MLive, July 29th, 2021.

<sup>3</sup> Gabrielle Haiderer, "Manufacturers discuss solutions as skilled trades gap widens and hiring shortage continues," Epicenter, July 29, 2021.

## Occupational Licensing in Michigan

Occupational licensing is the most stringent form of professional regulation. It forbids Michigan residents from working in a profession before meeting entry requirements including achieving minimum levels of education, passing exams, and paying fees to the state. Estimates suggest that 19 percent of workers in Michigan are licensed.<sup>4</sup> By erecting barriers to entering professions in the state, occupational licensing imposes a multitude of costs upon consumers and eliminates nearly 80,000 jobs in the state each year.<sup>5</sup>

Turning to mobility, economic research estimates that stringent occupational licensing reduces geographic mobility by as much as 7 percent.<sup>6</sup> There is a simple intuitive explanation for this finding: not allowing Americans to transfer their licenses and practice the craft that they have already been trained to do dissuades Americans from moving.

## Universal Recognition

Michigan will not be going out on a limb if it recognizes the licenses from other states. Arizona passed this reform in 2019.<sup>7</sup> Iowa and Missouri passed similar legislation in 2020.<sup>8</sup> This year, Kansas and Mississippi also passed similar legislation.<sup>9</sup> It is too early to estimate for the latter states, but Arizona has already seen the effects from passing this legislation. It has been estimated that more than 3,000 skilled workers moved to Arizona after passage of the reform two years ago.<sup>10</sup>

With the current state of Michigan's labor market, it seems silly to force new residents to complete arbitrary hurdles to begin working. Research shows that preventing occupational licenses from easily transferring reduces mobility. Michigan can look to other states, such as Iowa and Missouri, with unemployment rates more than a half percentage point lower, for guidance on how to improve the labor market with commonsense occupational licensing reform.

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<sup>4</sup> Morris M. Kleiner and Evgeny S. Vortnikov, *At What Cost? State and National Estimates of the Economic Costs of Occupational Licensing* (Arlington, VA: Institute for Justice, November 2018).

<sup>5</sup> Kleiner and Vortnikov, *At What Cost?*

<sup>6</sup> Janna E. Johnson and Morris M. Kleiner, "Is Occupational Licensing a Barrier to Interstate Migration?," *American Economic Journal: Economic Policy* 12, no. 3 (2020): 347–73.

<sup>7</sup> Office of the Governor of Arizona, *Arizona – First in the Nation: Universal Licensing Recognition*, n.d., [https://azgovernor.gov/sites/default/files/universallicensingrecognition1\\_0.pdf](https://azgovernor.gov/sites/default/files/universallicensingrecognition1_0.pdf).

<sup>8</sup> Office of the Governor of Iowa, "Gov. Reynolds Signs Comprehensive Licensure Legislation," press release, June 25, 2020, <https://governor.iowa.gov/press-release/gov-reynolds-signs-comprehensive-licensure-legislation>; Cameron Gerber, "Parson Expands License Reciprocity in Missouri," *Missouri Times*, July 6, 2020.

<sup>9</sup> Sarah Ulmer, "Governor Signs Bill for Universal Recognition of Occupational Licenses," *Y'all Politics*, March 25, 2021; Rebekah Chung, "Gov. Kelly Signs Military Spouse Occupational Licensing Bill," *KSNT*, April 21, 2021.

<sup>10</sup> "Breaking Down Barriers to Work with Universal Recognition: Frequently Asked Questions," Goldwater Institute, updated May 2021, <https://goldwaterinstitute.org/universalrecognition/>.